

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Electrification Administration

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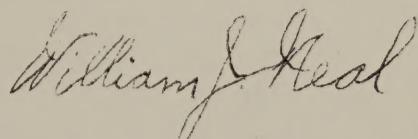
Administrative Memorandum

SUBJECT: Application of Advance Payments

In those instances where borrowers do not notify REA in writing at the time of remittance of an advance payment specifying the particular construction note or notes to be credited with such payment, the following accounting procedure shall apply:

The remittance shall be applied to the construction note bearing the highest rate of interest except that such payment shall not be so applied in sufficient amount to pay such note in full. In the event the advance payment is of sufficient amount to pay in full the note bearing the highest rate of interest, then all or a part of such amount shall be applied to the note bearing the next highest rate of interest.

All or a part of advance payments credited to a construction note may be transferred to another construction note, or an installation note, in order to avoid or eliminate default.



Acting Administrator

